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Tuesday July 11, 2006

## After Tobacco: No magic answer for tobacco alternative

By HERB BROCK  
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*Editor's Note: This is the first installment in a five-day series examining how some area farmers are dealing with the loss of tobacco as a cash crop and the effect on the state's agriculture economy.*

LEXINGTON - The way Will Snell sees it, there essentially are three types of tobacco farmers: the ones who took their buyout checks and quit farming altogether; the ones who are using their checks to transition to other agricultural enterprises; and the ones who continue to grow burley.



**Fred Simpson and daughters, Sarah, center, and Katherine pick cabbage. (Mike Moore Photo)**

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"Most are in the first category and have left farming," said Snell, a professor of agricultural economics in the University of Kentucky's College of Agriculture and a person considered by many farmers and farm-service leaders as the state's leading expert on the Kentucky farm economy.

"The people who left did so for a variety of reasons, including advancing years, getting tired of worrying about finding labor and paying for it and lower prices for labor," he said.

"More than 75 percent of Kentucky's tobacco quota holders and growers have exited," he said. "Of those tobacco farmers left, most are in the second category and are pursuing alternatives and the rest are those who are continuing to grow tobacco."

Snell said the departure of tobacco farmers can be seen in a number of statistics.

One set of statistics, compiled by state labor analyst Carlos Cracraft, shows that the number of full-time farmers in Kentucky decreased by 3,797 from 2000 to 2005, from 36,638 to 32,841.

Another set, compiled by the Kentucky Field Office of the National Agricultural Statistics Service, shows that tobacco production and sales receipts in the state substantially decreased during the same period. Tobacco production dropped by 99.5 million pounds from 2000 to 2005, from 243 million pounds to 143.5 million pounds. Sales plummeted from \$674.5 million in 2000 to \$421.7 million in 2005.

"The good news for those farmers continuing to grow burley is they can still make some money doing it," said Snell. "With fewer growers and declining production, the demand for the state's high-quality tobacco is growing. The Morris (tobacco company) can't find enough growers to meet their needs. So even with lower prices, a farmer can still make a pretty good net return of a \$1,000 an acre."

Snell talked about the impact of another return to tobacco farmers - the money they are receiving in tobacco buyout payments - and how burley growers have used those payments and how those uses will shape the future of the state farm



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economy.

According to the [Kentucky Burley Tobacco Growers Cooperative Association](#), for the state, the buyout payments total \$2.5 billion over 10 years. For Boyle, Casey, Garrard, Lincoln and Mercer counties, the buyout checks total \$163.7 million.

"Subtracting the folks who are continuing to grow tobacco, you essentially have two big groups who responded to the buyout checks in two, very different ways," he said. "One group knew tobacco was on the decline and looked forward to the checks to open the exit doors to retirement, while the other group knew tobacco was on the decline and looked forward to the checks to open the doors to new crop and livestock alternatives."

### Time will tell about new farm economy

And as far as alternative pursuits are concerned, Snell believes it will take a few years before it is clear what Kentucky's new farm economy will look like.

"There at this point is no magic answer in terms of what will replace tobacco," he said. "Farmers have been looking at and already pursued a number of alternatives but they haven't really decided, as a group, what transition path they and, therefore, the state will take. I think it will take three years for things to settle down enough for a clear, or at least clearer picture, of the most-pursued alternatives and of the state's new farm economy to emerge."

But if he were to make a "best guess" on a favorite alternative, Snell said it would be beef cattle and, not too far behind, dairy cattle. And data by the NASS show that it would be an educated guess.

Cash receipts on the sale of Kentucky beef and dairy cattle totaled \$620.7 million in 2004, an increase of nearly \$80 million over the \$540.9 million in 2000. "We've had a pretty strong beef cattle economy in recent years and that has helped in this period of transition," Snell said. "Cattle prices have been stronger, though prices do go in cycles and are bound to go lower.

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Lee Meyer, a UK professor of agricultural economics and a specialist in the state's cattle economy, agreed with his colleague's assessment.

"Trying something new is difficult and that has made beef cattle a logical place to go for a lot of farmers looking for alternative farm income sources," Meyer said.

"Kentucky has already well demonstrated it has the land and foraging to support a very successful cattle industry - the state is the leading beef cattle producer east of the Mississippi River - a lot of tobacco farmers and now former tobacco farmers are going to cattle, beef first and then dairy," he said.

### **Only 2 percent increase in number of cattle**

There has been only a 2 percent increase in the number of cattle in Kentucky herds over the last year but there has been a continuing increase in quality due to improved technology, Meyer said.

"We have high quality cattle in Kentucky and we're attracting more buyers every year," he said. "And that quality is increasing because of substantial improvement in technology, including efforts to improve genetics, collecting and analyzing more data on meat quality, and doing a better job of tracking our cattle from market to the slaughterhouses to the stores."

Meyer noted that several central Kentucky counties rank high in both beef and dairy cattle production. However, he said that most central Kentucky farmers who raise cattle do it on a part-time basis, as one of several operations on their farms, while most western Kentucky cattle farmers do it full-time, as their only farm operation.

Meyer and Snell said goats and sheep are livestock that are gaining favor as livestock options, while vegetables and fruits are continuing to grow as alternative crops to tobacco, albeit ones that generally won't come close to matching tobacco for income.

According to the NASS, cash receipts for home-grown Kentucky vegetables

increased by \$6 million from 2000 to 2004, from \$12 million to \$18 million, while cash receipts for apples increased by \$500,000, from \$2 million to \$2.5 million, during the same period.

There's been a lot of experimentation with fruits and vegetables as alternative crops over the years, and the results have been mixed," said Snell. "You have some folks who have done well growing the produce and marketing but many others who can grow the fruits and vegetables but are awash in them because they don't know how to market them."

### **Need to know marketing**

Meyer agreed that farmers going to produce as an alternative crop need to learn about marketing.

"The complicated part for farmers entering the produce field is not production - most know or can learn very fast how to grow tomatoes and beans and corn and apples - it's marketing," he said.

"In tobacco, you had a well-established, cookie-cutter kind of marketing system where you would take your crop to the warehouse and warehousemen who promote and market it. With alternative crops, the farmers have to do their own marketing, and that means finding a place to sell it and promoting it and selling it directly to customers and developing a customer base. The psychology of farming is different than marketing."

But Meyer is reasonably optimistic that most farmers can learn how to market their alternative crops and make the transition from tobacco growers to tomato producers, orchard owners and cattle ranchers. And while they may be pursuing new crops, they will be following an old pattern.

"One of the strengths of our agricultural economy is diversification, and all this transition will amount to is a continuation of that diversity," he said. "Sure, farmers will be going to new crops and other farm enterprises. But even when tobacco was king, many tobacco farmers were growing other crops and also raising livestock."

"Also, a vast majority of our farmers have had off-farm income with the farmer's spouse working as a teacher or in another full-time job, while other farmers are part-time farmers," he said.

"We are transitioning to a new farm economy but it will be one that will still reflect the same old Kentucky diversity."

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